



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
THOMAS M. MENINO

May 18, 2010

To The City Council:

Dear Councillors;

In response to the 17F request filed by your Honorable Body on 4/14/2010 re: Boston Connects Closeout, please find the attached response.

Sincerely,

Thomas M. Menino
Mayor of Boston

In City Council **PLACED ON FILE**

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May 17, 2010

CITY OF BOSTON
THOMAS M. MENINO
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The Honorable Councilor Chuck Turner
Boston City Council
Boston City Hall
Boston, MA 02201

Dear Councilor Turner:

In response to your inquiry regarding the closeout of Boston Connects, Inc. (BCI), the following information will provide a complete accounting of the current situation. Please know that we would be happy to meet with you to go over any information regarding BCI which would be helpful to you. After 10 years of operations, BCI generated voluminous files which are now archived, but can be retrieved when needed.

At a meeting of the BCI Board of Directors held on December 15, 2009 the Board voted to immediately dissolve and remit all assets to the City of Boston or the City's designee. Since that time, the Economic Development and Industrial Corporation (EDIC), acting as the designated fiscal agent on behalf of the City has pursued an orderly disposition of BCI's assets and concurrent closeout of Boston's Empowerment Zone (EZ) grant. Jobs and Community Services (JCS), a division of EDIC provided a variety of services to the BCI Board and staff throughout the duration of the grant, including planning, technical assistance, and procurement processes. EDIC has sought to ensure the closeout process continues to advance BCI's original strategic plan, while also following all federal and state requirements.

In order to explain EDIC's closeout strategy, it is helpful to understand that BCI assets divide into three categories:

- (1) EZ grant and program income, which following HUD guidance must be spent by 7/2/2010 or be forfeited;
- (2) Program income earned by the EZ microloan pool, for which special HUD rules apply; and,
- (3) Other non-EZ-grant assets, which are not part of the EZ grant closeout, but which still must be spent in pursuit of the original mission of BCI.

The first category has historically accounted for the vast majority of BCI's assets. As of January 31, 2010, BCI had received \$25,943,775.70 of grant and program income, and spent \$25,755,498.16 or 99%, making 116 individual grants. Of the \$188,277.54 remaining, \$154,334.83 had been obligated to cover outstanding grant agreements




and administrative costs¹. After accounting for these obligations, the remainder of un-obligated grant and program income was \$33,942.71. With HUD approval, EDIC has created an MOA with the Friends of Youth Opportunity Boston (FYOB) in order to ensure the grant remainder, as well as any unspent funding allocated to administrative costs, is fully spent by 7/2/2010. The FYOB grant will advance the specific strategic goal of BCI to serve court and gang involved EZ adolescents and connect them with employment, education and intensive case management.

The second category of EZ assets resides in a microloan pool currently being serviced on behalf of EDIC by Tremont Credit Union. Over the years Boston Connects invested a total of \$450,000 in microloans for EZ Businesses, and executed a total of twenty (20) loans. As of January 31, 2010, half of the loans and \$225,468.94 of the remaining principal was either delinquent or in default, and the balance of the operating loan pool was \$16,247.67. After close examination and analysis of the health of the EZ Microloan program, EDIC determined that it would not be fiscally prudent, or defensible to HUD, to allocate additional EZ grant or program income to EZ microloans. Future operation of the microloan pool after 7/2/2010 is currently the subject of negotiations between EDIC and the Department of Neighborhood Development.

The third and final category of BCI assets, non-EZ-grant or program income assets, has two major components. The first component is a \$7 million investment in Crosstown Center. Recently Crosstown Center has defaulted on their bond obligations and EDIC views the possibility of any return on the \$7 million investment with extreme skepticism. The second component is \$374,389.99 that BCI had collected from EZ bond and other miscellaneous fees. As of January 31, 2010, \$170,668.07 had already been spent or obligated by the BCI Board, leaving a remainder of \$203,721.92 in cash assets. It is our intention to invest these remaining funds into direct services for Empowerment Zone youth for employment programming including summer and year round jobs.

Sincerely,


Constance J. Doty, Director
Jobs and Community Services

Cc: Thomas M. Menino, Mayor of Boston
John Palmieri, Chief of Economic Development

¹ Remaining obligations as of 1/31/2010: \$16,300.07 to Green Youth Corps, \$40,000 to Boston Worker's Alliance, \$8,980 to culinary training, and \$12,500 to ACEDONE; \$76,554.76 remained obligated as an estimate of remaining administrative costs.